

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Target Oil & Gas Corporation

Enforcement Case No. 06-3956

Michael Smith

Christopher Smith

Linda Smith-Niemi

Respondents

_____ /

*Issued and entered
on July 6, 2006
by Richard D. Lavolette
Chief Deputy Commissioner*

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor and Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 *et seq.* (Act), and the rules promulgated under the Act, says that:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Respondent Target Oil & Gas Corporation (hereafter “Target”) is a corporation organized under the laws of the state of Kentucky, whose primary address is located at 1000 E. Lexington Ave. Suite 116, Danville, Kentucky 40422.
2. Respondent Michael Smith is the President of Target and is located at 1000 E. Lexington Ave. Suite 116, Danville, Kentucky 40422.
3. Respondent Chris Smith is an agent and employee of Target and is located at 1000 E. Lexington Ave. Suite 116, Danville, Kentucky 40422.
4. Respondent Linda Smith-Niemi is an agent of Target and is located at 1000 E. Lexington Ave. Suite 116, Danville, Kentucky 40422. Target Oil and Gas Corporation, Michael Smith, Chris Smith, and Linda Smith-Niemi are collectively referred hereinafter as (“Respondents.”)
5. On or about January 22, 2004, Respondents sold a subscription agreement to XXXXXXXXXXXXXXXX (hereafter “Complainant”), a Michigan resident, for a 3.125% working interest in the oil and gas venture called RENEAU 1-2-3 for \$9,711.00.
6. On or about March 15, 2004, Respondents sold a subscription agreement to Complainant for a 1.5625% working interest in the oil and gas venture called Floyd # 4 for \$9,711.00.
7. On or about May 17, 2004, Respondents sold a subscription agreement to Complainant for a 3.125% working interest in the oil and gas venture called RENEAU 7-8-9 for \$9,711.00.
8. Section 401(z) of the Act, MCL 451.801(z), defines security as any certificate of interest or participation in an oil, gas, or mining title or lease in payments out of production under such a title or lease.
9. The oil and gas interests sold by Respondents are securities under Section 401(z) of the Act.
10. These securities may or may not be exempt from federal registration pursuant to Rule 506 of Regulation D, Section 4(6) of the Securities Act of 1993.
11. These securities are not exempt from state registration under Section 301 of the Act, MCL 451.701, due to the Respondents’ failure to file the requisite notice filing and pay the requisite fee with the State of Michigan.
12. Respondents failed to provide Complainant with all the material facts necessary to make an informed investment decision as Respondents failed to provide any current financial

information regarding Target and failed to provide any financial statements regarding Target. Furthermore, Respondents failed to provide Complainant with any information regarding Target's management or operating history.

WHEREAS, Section 101(2) of the Act, MCL 451.501(2) makes it unlawful to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; and

WHEREAS, Respondents failed to provide Complainant with any current financial information or financial statements regarding Target and Respondents failed to provide any information regarding Target's management and operating history. Respondents have omitted material information investors would find necessary to make an informed investment decision; and

WHEREAS, Section 301 of the Act, MCL 451.701, makes it unlawful for any person to offer or sell any security unless it is registered; and

WHEREAS, Respondents sold Complainant the three interests in the oil and gas ventures allegedly pursuant to Rule 506 of Regulation D, however, Respondents never filed a notice filing or pay a filing fee with the State of Michigan, and conducted general solicitation for the oil and gas interests via the telephone; and

WHEREAS, Respondents sold unregistered securities to the Complainant, Respondents are not entitled to an exemption pursuant to Rule 506 of Regulation D, as they have not filed any information with the State of Michigan and used general solicitation to offer and sell the oil and gas interests; and

WHEREAS, Section 401(z) of the Act, MCL 451.801(z), defines security as any certificate of interest or participation in an oil, gas, or mining title or lease in payments out of production under such a title or lease; and

WHEREAS, the oil and gas interests sold by Respondents represent a certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production; and

WHEREAS, based on the foregoing, OFIS Staff recommends that the Commissioner find that Respondents Target, Michael Smith, Chris Smith, and Linda Smith-Niemi, are engaged in acts and practices that violates Section 101, 301, and 401 of the Act and Rule promulgated under the Act: and

WHEREAS, this action is necessary, appropriate, and in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL

451.808 and Section 409 of the Act, MCL 451.809, that:

1. The Respondents Target, Michael Smith, Chris Smith, and Linda Smith-Niemi shall immediately **CEASE AND DESIST** from offering to sell or selling unregistered securities in and from the State of Michigan and from offering to sell or selling securities without disclosing all material information necessary for an investor to make an informed investment decision.
2. Failure to comply with this ORDER will subject you to one or more of the following:
 - (a) A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.
 - (b) A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.
3. You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.
4. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.
5. It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.
6. Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH



By: _____

Richard D. Lavolette,
Chief Deputy Commissioner
Office of Financial and Insurance Services